

NEWS RELEASE

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MAY 29, 2002

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DeNUCCI CITES FISCAL AND MANAGEMENT PROBLEMS AT STURGIS CHARTER SCHOOL ON CAPE

State Auditor Joe DeNucci reported today that the Sturgis Charter School in Barnstable has been plagued by several administrative problems, including its failure to fulfill promises in its original charter application to the state.

The audit, which was initiated as a result of numerous operational and financial problems at the school, noted that eight objectives outlined in its charter application to the state Department of Education (DOE) had not been achieved as of the end of the school's third year.

DeNucci's audit also cited the state-funded non-profit school for inaccurate enrollment and attendance reporting, which is the basis for its state funding, untimely transfers of teacher pension contributions to the state, and improper administration of school renovations.

DeNucci's audit stated the school has not followed through on its commitment to offer its students an opportunity to participate in the International Baccalaureate diploma program, a worldwide consortium whose diplomas are recognized for high academic achievement. The Sturgis Charter School had cited this program as a major premise of its charter and this was one of the reasons DOE awarded the charter in 1998.

"Charter schools are given freedom and autonomy so they may foster innovative programs such as the International Baccalaureate program," said DeNucci. "When a school fails to make good on its commitments, it defeats the purpose of the charter school concept."

In other findings, DeNucci's audit faulted the Sturgis Charter School for failing to properly administer more than \$1 million in renovations, including the non-competitive awarding of construction and other services to its landlord, failing to enter into formal written contracts for two projects, and failing to disclose \$280,000 in renovation-related liabilities to the school's board of trustees and its creditors. As a result, DeNucci said, neither the school nor the state have assurances that these renovations were done at the lowest possible cost.

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Also, DeNucci's audit disclosed that inadequate controls over recordkeeping of student enrollment and attendance resulted in the submission of inaccurate pre-enrollment figures to DOE, which uses these figures to determine tuition payments for charter schools. This enabled the Sturgis Charter School to obtain \$526,000 in short-term interest-free loans.

DeNucci's audit also cited the school's failure to implement adequate internal controls over its financial operations, including a lack of fully developed written policies and procedures for many accounting activities.

Finally, DeNucci said the Sturgis Charter School failed to regularly transfer teachers' pension withholdings to the Massachusetts Teachers Retirement System as required by law. Instead, these funds were temporarily used for various operational expenses at the school. DeNucci said this not only prevented the retirement system from maximizing returns on retirees' pensions but also left the school at risk of not having funds available to pay for its teachers' retirement.

DeNucci noted that while the audit was in progress, the Sturgis Charter School took measures to address some of the problems identified in his report. In addition, DeNucci said, the Sturgis Charter School has performed well academically as reflected in the 2001 and 2002 Massachusetts Comprehensive Assessment System (MCAS) tests.

"Although the Sturgis Charter School has achieved some significant academic goals, there remain a number of problems that must be addressed," said DeNucci. "Charter schools are public schools that are subject to at least the same standards of accountability as other public schools. I hope the school's administration, working with the Department of Education, continues to implement the improvements that are needed in its operation."